

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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OFFICE OF THE SECRETARY

In the Matter of
Policies and Rules
Concerning Toll Fraud

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CC Docket No. 93-292

REPLY COMMENTS OF AMERITECH

Ameritech¹ hereby submits these Reply Comments in the above-captioned docket. The Notice of Proposed Rulemaking, released December 2, 1993 ("NPRM"), seeks comments on what policies should be implemented, or steps taken, to avoid or reduce the incidence of toll fraud. Ameritech and numerous other parties filed initial comments on January 14, 1994. The following are Ameritech's reply comments on issues raised by various parties.

I. Payphone Fraud

As detailed in our initial comments, Ameritech has developed and implemented a comprehensive program to address the problem of payphone fraud.² One key component of that program is monitoring and detection services. Ameritech and the other local exchange carriers ("LECs") have made these services available, and there is no need to require the LECs to offer new or additional screening services. Given the current availability of effective screening services, parties who do not use them should be responsible for any resulting fraud. If parties are not concerned enough about the problem, or purposely choose to ignore the available services, no reasonable grounds exist to hold the LEC responsible for the fraud. Unless there is an obligation to use available services and a penalty for non-use (i.e., responsibility for the toll fraud losses) operator service providers will have no incentive to attempt

¹ Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc. (hereinafter "Ameritech").

² See, e.g., Ameritech Comments at 4-6.

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to solve this problem. The FCC should not enact rules that allow parties who neglect to use screening and detection devices to escape the consequences of their actions.³

Currently available services are carefully targeted for the customers who need them most. One such example is international direct dial blocking ("IDDB"). Ameritech currently offers IDDB services to business and Centrex customers. This is where the bulk of international toll fraud occurs. The FCC should not require carriers to file tariffs offering the capability to block international calls on additional customer-specified CPE lines. The lack of public benefits arising from the expansion of IDDB blocking service -- when balanced against the potential exacerbation of the switch memory capacity problem -- suggests that this service should not be expanded.

Certain parties have raised spurious arguments to minimize the usefulness of screening and blocking services. For example, the argument that existing toll fraud protection services for "clip-on" fraud are network based and not telephone-set based ignores the practical effect of using screening and blocking services.⁴ Whether the customer places the call from the hand-set or behind the phone screening and blocking will either alert the operator that special billing arrangements must be secured or the call will be blocked and the caller will receive a recorded message. Consequently, there is no basis to assert that LECs should be financially responsible for clip-on fraud.

In 1992, a position paper regarding international collect to coin fraud was submitted to the Toll Fraud Prevention Committee ("TFPC"). As a result of that

³ As previously noted, Ameritech currently has state exchange tariffs in effect that meet the Commission's requirements for screening services. Federal tariffs should not be required because there are no inherent benefits to federal tariffs. The existing services are available to all customers large and small. In the Matter of Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, CC Docket No. 91-35, filed June 9, 1993 at ¶ 3.

⁴ MCI Comments at 15.

position paper, many of the LECs, including Ameritech, voluntarily began assignment and re-number assignment to public payphones. This same policy has been expanded to private payphones. This action is just one example of LECs acting in the best interests of their customers without the necessity of regulatory mandate.

Ameritech is in the process of implementing full verification on all third number billed calls from payphones. Third number billed fraud most frequently originates from payphones. Accordingly, Ameritech is taking action to eliminate this source of payphone fraud. However, we will not be eliminating all third number billed calls without verification. To do so could restrict some customers' ability to make critical calls. One example would be elderly customers who want to call from a hospital room. Many elderly callers are not calling card users. For customer service reasons such as this, Ameritech does not plan to require verification in all cases from places other than payphones.

Ameritech agrees with the position taken by the California Public Utilities Commission and supports the proposal of the Interexchange Carrier Industry Committee Toll Fraud Subcommittee that LECs be given the discretion to interrupt service, without notice, for accounts where fraud is suspected. This would give LECs the flexibility to take immediate action which in many cases could substantially reduce the toll fraud losses on a particular account.

In attempting to address the toll fraud problem, it should be recognized that it is impossible to identify and eliminate all possible sources of toll fraud. For example, the ability to clip onto the network distribution facilities is not in itself the cause of fraud. Reasonable safeguards are already in place to limit access to the network to authorized persons. The manner in which outside plant and distribution facilities are configured is not inviting to unauthorized persons. Yet, those who are intent on engaging in this practice will find a way to do so.

In summary, LECs have undertaken numerous steps and policies to reduce or minimize the incidence of payphone fraud, and should not be subject to arbitrary rules allocating payphone fraud liability without regard to the specific facts. Multiple parties have a role to play in minimizing this problem, and unless a LEC has failed to take reasonable steps, consistent with its ability to detect or control the fraud, they should not be held responsible. The existing tariff limitation of liability clauses accurately reflect the limited ability of LECs to control toll fraud liability.

II. Cellular Fraud

Cellular carriers are fully aware of the losses incurred due to fraud. Currently, they are making significant investments for detection/prevention equipment that will provide relief to the interexchange carriers ("IXCs") for fraudulent phone calls. For example, Ameritech is currently in the process of changing its billing system and network routing so that only cellular customers that specifically request international calling will have access to it. These system changes are being funded solely by Ameritech. If cellular carriers are going to be forced to bear the costs of such protection services, plus the costs of fraud incurred by IXCs, then the costs of cellular services will increase dramatically.

One suggestion to address cellular fraud is the use of PIN numbers. While PIN numbers may be a short term solution for some customers that have been victims of cloning fraud, Ameritech does not see this as a good long term solution for the following reasons. First, requiring every customer to use a PIN number is an inconvenience to customers who are already overloaded with PIN numbers. Second, PIN numbers only address the cloning aspect of fraud. They do little to combat other areas of fraud such as subscription fraud. Ameritech feels it will get more long term value by investing in other detection/prevention products that address all aspects of fraud, and allows us to gather information that will enable us to better serve and meet our customer's changing needs for the future. Finally, PIN numbers are

transmitted over the airwaves just like the mobile identification number (MIN) and electronic serial number (ESN). As soon as the scanners (devices currently used to pull the MIN/ESN combination out the air) are upgraded to capture the PIN number, the cloning issue resurfaces and little has been gained for the investment.

III. PBX Fraud

To expand our fraud detection capabilities, Ameritech is investigating various systems and options for call monitoring of 1+/10XXX dialed calls. This would cover calls made from land based sources such as regular telephone service, private branch exchange ("PBX"), Centrex and public and private payphones.

Further, PBX owners currently have the means to detect and monitor toll fraud. One way is by purchasing call accounting equipment and/or software for Station Message Detail Recording (SMDR). With these features, PBX owners possess the ability to manage and monitor calling activity. Suspicious calls can be noted, and the source of the problem can be identified by either the station number (telephone number), trunk member number or PBX feature. Based on the source of the fraud, increased security measures can be taken. This places PBX owners in a key position to detect, and thus prevent recurring fraud. Certainly no rules apportioning liability for PBX fraud should overlook the ability and responsibility of PBX owners to control this problem.

IV. LIDB

The Ameritech line information data base ("LIDB") has full redundancy, and is very reliable. The data base is up-to-date and accurate, for the purposes for which it was designed. It was not designed to detect toll fraud, but can assist in this endeavor. The reliability of LIDB is evidenced by the fact that Ameritech launches almost as many queries to the LIDB for intraLATA usage as do the interexchange carriers for interLATA and international calls. The integrity of the data is paramount to Ameritech as a user and as a service provider to the IXC's.

Ameritech has been providing monitoring of calling card usage for a number of years, and as noted in our initial comments, during the first quarter of 1994, Ameritech will deploy a new state-of-the-art fraud detection system for monitoring calling card, collect and bill to third number calls. Ameritech also partners with a number of the interexchange carriers and accepts and investigates referrals and/or high usage reports.

V. **Conclusion**

Responsibility for toll fraud losses is a complex problem. Because of changing technology and the ever-changing schemes of toll fraud perpetrators, the Commission should resist the assertions of those seeking a simplistic "quick-fix" to the problem. Instead, the Commission should stress the necessity of adequate warnings and utilization of screening and detection services offered by LECs and IXCs. Ultimately, however, these measures must be supplemented by modern laws against toll fraud and diligent enforcement of those laws.

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Dated: February 10, 1994

CERTIFICATE OF SERVICE

I, Deborah L. Thrower do hereby certify that a copy of the foregoing Reply Comments of Ameritech has been served on all parties on the attached service list by first class mail, postage prepaid, on this 10th day of February 1994.

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